

EXHIBIT III-2
EXPENDITURE VS. ENCUMBRANCE ALLOCATION

<u>Activity</u>	<u>Allocation Base Used</u>
Current Year Expenditures	
<u>MONTHS 01-12</u> Run Type S	Prior month activity.
Run Type C	Cumulative from inception through PM activity.
<u>MONTH 13</u> Run Type A ^{1/}	Cumulative from inception through FM 13.
Current Year Encumbrances	
<u>MONTHS 01-12</u> Run Type S or C ^{2/}	Cumulative from inception through PM activity for both run types.
<u>MONTH 13</u> Run Type A ^{1/, 2/}	Cumulative from inception through FM 13.
Prior Year Expenditures And Encumbrances	
<u>MONTHS 01-13</u> Run Type S or C ^{1/, 2/}	Cumulative from inception through PM activity.
Run Type A ^{1/, 2/}	Cumulative from inception through FM 13.
<hr style="width: 20%; margin-left: 0;"/> ^{1/} When FM 13 and all prior years are allocated, PCAs defined as Cost Allocation (CA) Table Distribution Types 1, 2, or 3 (the standard costing methods) are treated as Distribution Type 5, which uses the Object Range Low of 00100 to Object Range High of 19900 (Personal Services) to determine the distribution base.	
^{2/} When distributing encumbrances, the Credit PCA assigned in the CA Table is always ignored, and the credit is recorded to the PCA being allocated.	

OPTION #1 – Cost Allocate/Fund Split Fiscal Month 13 Expenditures Only

To run CA/FS for FM 13 expenditures only, use the new year OC Table to set the following indicators:

RUN COST	=	A, C or Y
RUN TYPE	=	A
ENCUMB ALLOC	=	N or Blank
LAST STEP RUN	=	00 (Zero-Zero)

NOTE: FM 13 expenditures should not be allocated more than once.

OPTION #2 – Cost Allocate/Fund Split Fiscal Month 13 Encumbrances Only

Encumbrances remaining in the Clearing Account after adjusting entries have been made must be cost allocated and fund split to their ultimate funds. The allocation of encumbrances is based on the department's CA Tables, but the credit is always back to the same PCA where the encumbrance was established. (Expenditures can recover in the same or different PCAs.) The fund split of encumbrances is based on the funding percentages contained in the PCA Table.

NOTE: Allocated encumbrances at year-end do not post to the Grant Project File. Therefore, these encumbrances are not reflected on the F01 Report, Summary of Project Revenues and Expenditures.

To run CA/FS for FM 13 **encumbrances only**, use the new year OC Table to set the following indicators:

RUN COST	=	A, C or Y
RUN TYPE	=	A
ENCUMB ALLOC	=	E
LAST STEP RUN	=	00 (Zero-Zero)

Refer to Exhibit III-3 for a sample of the OC Table Maintenance/Inquiry Screen.

NOTE: Unlike the cost allocation of expenditures, encumbrances may be allocated as many times as necessary except under the following conditions:

1. If your OC Table PCA Method = 2, do not allocate encumbrances more than once.
2. Once the entry is made manually to adjust the allocated encumbrances credit from Administration to Distributed Administration, or any other manual 312/316 transactions, encumbrances **cannot** be reallocated unless the entries are reversed first.

Subsequent allocations reallocate only those items that have changed from the previous allocation.

EXHIBIT III-3
OC TABLE SETTINGS – COST ALLOCATION ENCUMBRANCES ONLY

ORGANIZATION CONTROL TABLE MAINTENANCE/INQUIRY		07-22-2012 02:19 PM	
FUNCTION: C (A=ADD, C=CHNG, D=DEL, P=PRT, F5=VIEW MASTER, F6=RECALL MAINT, F10= DEL MAINT)			
		ORG CODE : 7101	FFY : <u>2012</u>
LABOR : RUN LABOR :	<u>N</u>		
COST : RUN COST :	<u>C</u>	RUN TYPE : <u>A</u>	NBR STEP DOWNS: <u>02</u>
	PCA METHOD: <u>1</u>	ENCUMB ALLOC : <u>E</u>	LAST STEP RUN : <u>00</u>
MISC : PM OPEN :	<u>N</u>	FUND/FS EDITS : <u>0</u>	CHECK FILE : <u>Y</u>
	CD102 : <u>Y</u>	CALATERS ORF : <u> </u>	
BUDGET : BUD SEQ :	<u>Y</u>	BR-1 POSTED : <u>Y</u>	PY SCH10 TRANS: <u>N</u>
YEAR-END : RUN YEC :	<u> </u>	PY OPEN : <u>C</u>	UNCLR COLL FFY: <u>C</u>
	ORF FFY : <u>C</u>		
HIERARCHY: LEVELA: <u>7000</u> LEVELB: <u>7010</u> LEVEL1: <u>7101</u> LEVEL2: <u> </u> LEVEL3: <u> </u>			
DATA ERRORS: 1-10: I I I <u> </u> W W W W I W 11-20: W W W W W <u> </u> <u> </u> W <u> </u>			
21-30: <u> </u> W <u> </u> <u> </u> W I I W W W 31-40: W I W <u> </u> <u> </u> I I I I I <u> </u>			
41-50: I I I I I I <u> </u> <u> </u> <u> </u> 51-60: <u> </u> <u> </u> <u> </u> <u> </u> <u> </u> <u> </u> <u> </u> <u> </u>			
61-70: <u> </u> <u> </u> <u> </u> <u> </u> <u> </u> <u> </u> <u> </u> <u> </u> 71-80: <u> </u> <u> </u> <u> </u> <u> </u> <u> </u> <u> </u> <u> </u> <u> </u>			
FUND ERRORS: 1-10: I I I W <u> </u> <u> </u> W W W 11-20: I I I I I I I I I <u> </u>			
21-30: I I I I I I I I I I 31-40: I I I I I <u> </u> I I I I I			
41-50: I I I I I <u> </u> <u> </u> <u> </u> I 51-60: I I I I I I W I I I			
61-70: I I I I I I <u> </u> <u> </u> <u> </u> 71-80: <u> </u> <u> </u> <u> </u> <u> </u> <u> </u> <u> </u> <u> </u> <u> </u>			

OPTION #3 -- Cost Allocate/Fund Split Fiscal Month 13 Expenditures and Encumbrances

FM 13 CA/FS of both expenditures and encumbrances can be processed at the same time. Option #3 takes the fewest days to complete and avoids potential OC Table maintenance errors.

To run CA/FS for FM 13 expenditures and encumbrances at the same time, use the new year OC Table to set the following indicators:

RUN COST	=	A, C or Y
RUN TYPE	=	A
ENCUMB ALLOC	=	Y
LAST STEP RUN	=	00 (Zero-Zero)

Refer to Exhibit III-4 for a sample of the OC Table Maintenance/Inquiry Screen.

NOTE: This option should be run only once.

EXHIBIT III-4
OC TABLE SETTINGS – COST ALLOCATION EXPENDITURES AND ENCUMBRANCES

ORGANIZATION CONTROL TABLE MAINTENANCE/INQUIRY		07-22-2012 02:19 PM
FUNCTION: <u>C</u> (A=ADD, C=CHNG, D=DEL, P=PRT, F5=VIEW MASTER, F6=RECALL MAINT, F10= DEL MAINT)		
	ORG CODE	: 7101 FFY : 2012
LABOR	: RUN LABOR	: <u>N</u>
COST	: RUN COST	: <u>C</u>
	: PCA METHOD	: <u>1</u>
MISC	: PM OPEN	: <u>N</u>
	: CD102	: <u>Y</u>
BUDGET	: BUD SEQ	: <u>Y</u>
YEAR-END	: RUN YEC	: <u>Y</u>
	: ORF FFY	: <u>C</u>
HIERARCHY: LEVELA: <u>7000</u> LEVELB: <u>7010</u> LEVEL1: <u>7101</u> LEVEL2: _____ LEVEL3: _____		
DATA ERRORS: 1-10: I I I _ W W W W I W 11-20: W W W W W _ I _ I I I _		
21-30: _ W _ _ W I I W W W 31-40: W I W _ _ I _ I I I _		
41-50: I I I I I I _ _ _ _ 51-60: _ _ _ _ _ _ _ _ _ _		
61-70: _ _ _ _ _ _ _ _ _ _ 71-80: _ _ _ _ _ _ _ _ _ _		
FUND ERRORS: 1-10: I I I W _ _ _ W W W 11-20: I I I I I I I I I _		
21-30: I I I I I I I I I I 31-40: I I I I I _ I I I I		
41-50: I I I I I _ _ _ _ I 51-60: I I I I I I W I I I		
61-70: I I I I I I _ _ _ _ 71-80: _ _ _ _ _ _ _ _ _ _		

OPTION #4 -- Cost Allocate/Fund Split Year-End Variance

This option is for departments that use standard costing PCAs. Variances created during the year that have not been allocated and those created after FM 13 cost allocation must be allocated in the year-end variance CA/FS process.

To run CA/FS for FM 13 variances, use the new year OC Table to set the following indicators:

RUN COST	=	A, C or Y
RUN TYPE	=	Y
ENCUMB ALLOC	=	N
LAST STEP RUN	=	00 (Zero-Zero)

NOTE: This option can be run only once.

PREPARE PRELIMINARY FM 13 RECONCILIATIONS

After the FM 13 CA/FS process is complete (including the correction of all resulting errors) departments should prepare preliminary FM 13 reconciliations. Request the Prior Year (PY) reports needed to prepare the preliminary FM 13 reconciliations. This includes the HB4, G01, DB1, DB2, D16, B03, B04 and S01 Reports. CALSTARS reconciling items may need to be corrected with additional entries. Any correcting entries affecting GL 9000 must be manually cost allocated and fund split.

At this time, departments should also request a B06 or N10 Report to review all appropriations for over-expenditures or inappropriate costs. Since the manual process of reclassifying the allocated encumbrance credit in Administration will not be performed until later, a Q14 or Q16 Report at a level that shows Administration separate from Distributed Administration may be used to determine the true balance of Administration (Refer to the *Reclassify Allocated Encumbrance Credit in Administration* section later in this chapter).

After reviewing the preliminary FM 13 reconciliations and the B06 Report, departments may find that budgetary expenditures (expenditures plus encumbrances) exceed appropriation, fund and/or cash balances. If this is the case, review the correctness of encumbrances, accruals and expenditures. If adjustments are necessary due to incorrect entries, refer to the subsequent section titled *Adjusting Encumbrance or Accrual Entries/Allocations* for instructions. For funds where revenue collections must be considered, verify that all receipts earned have been billed and/or accrued and revenues received in advance do not contain receipts for the current accounting period (B04, F01, and G02 Reports).

In most departments, the year-end review of budgetary expenditures is done in conjunction with Budget Office staff. If a scheduled line, appropriation, fund or cash in a fund is over-expended, adjustments must be made prior to statement preparation. It may be necessary to move expenditures/encumbrances, submit a Budget Revision or Deficiency Request, request a loan, or other appropriate action.

- ✧ Moving encumbrances between funding fiscal years will require a contract amendment or a correction to the purchase order document.
- ✧ Moving prior year encumbrances to the new funding fiscal year will reduce the funds available for the new year expenditures or encumbrances.

If appropriate, do the following to move encumbrances to the new year:

1. Disencumber encumbrances in FM 13.

Use TC 213 in FM 13 to shift encumbrances to the new fiscal year.

If the encumbrances are not direct charged to the appropriation being adjusted (i.e., they are in the Clearing Account), reallocate encumbrances (Refer to Exhibit III-1, Option #2) or manually adjust allocated encumbrances. If allocated encumbrances are manually adjusted, use TC 312 to post to the Clearing Account and TC 316 to post to the appropriation being adjusted using the ultimate funding information.

2. Re-establish encumbrances in the new fiscal year.

Use TC 211 to re-establish the encumbrances in the new year (CM or PM) with the new year Indexes/PCAs and the revised funding.

An alternative process is to post TC 211 with a zero amount and the TC 212 with the actual amount. TC 211 establishes the document and TC 212 places the encumbrance amount in the adjustments field, since it is not a new encumbrance.

Correct Variances in Indirect Cost Centers Funded by the Clearing Account

1. Analyze the Cost Allocation (CA) Table to determine where the variance should be charged.
2. Enter TC 311 (Charge).
 - ✧ Use Index and PCA determined from the analysis
 - ✧ Use Object per CA Table (Charge Object).
 - ✧ Charge ultimate AS, FS, Fund, Fund Detail and Method of PCAs being charged (**must override disbursing AS and Fund**).
3. Enter TC 315 (Credit).
 - ✧ Use Index, PCA, Object, AS, FS, Fund, Fund Detail and Method as shown on CA Table for recovery.

RECORD YEAR-END PLAN OF FINANCIAL ADJUSTMENT (PFA)

FM 12 and FM 13 cost allocation occurs after the SCO closes the appropriation accounting records. After FM 13 cost allocation is complete, the GL 6297-Allocation Clearing Account remaining balances is an accrual between the department and SCO year-end appropriation balances. All amounts in GL 6297 must be reported as a "Due To" or "Due From" accrual in the year-end financial statements.

Reclassification entries must be posted to move the GL 6297 account balances to GL 3110-Due to Other Funds or GL 1400-Due from Other Funds to properly report the accrual.

Using a FM-PY DB1 or DB2 Report, develop a reclassification worksheet (Refer to Exhibit III-5). Make a list of each appropriation and its corresponding GL 6297 balance from the DB1 Report (Ending Balance column/same sign) or DB2 Report (Balances column/opposite sign). Determine the adjusting entries that correspond, as follows:

Clearing Account:

TC 540-Reclass 6297-Establish Due From Other Funds
Dr. 1400 Due From Other Funds/Appns
Cr. 6297 Allocation Clearing Account

AND

Program or Fund Receiving Charges:

TC 541-Reclass 6297-Establish Due To Other Funds
Dr. 6297 Allocation Clearing Account
Cr. 3110 Due to Other Funds or Appropriations

Use a Current Document Number **RECL6297 nn** and assign an incremental Document Number Suffix to each entry, beginning with Suffix 01. If the same suffix is used on all entries, the entries overlay each other causing general ledger subsidiaries to be out of balance with document file subsidiaries. Only the classification data from the last entry will show on the Document File, making it very difficult to trace and audit. The **vendor number** must be keyed into the transaction in order to facilitate the "Due From Other Funds/Appropriations (GL1410/1420) and Due To Other Funds/Appropriations (GL 3114/3115) Supplementary Information" worksheet for GL3110 and GL1400.

Once the Plan of Financial Adjustment (PFA) reclassification entries are made, the balance for GL 6297 on the DB1/DB2 Report should be zero. If the amount is not zero, adjusting entries for GL 6297 are not complete.

The department prepares a PFA transfer request after completing the year-end cost allocation and fund distribution. The PFA transfer request includes expenditures for both FM 12 and FM 13. The Q22 Report (PY) includes both FM 12 and FM 13 expenditures.

These entries are reversed in the new year.

NOTE: To have these entries automatically reversed during the Year-End Open (YEO) process, they must be coded according to the Automated Accrual Reversal Process requirements discussed in Chapter II, section *Use of Fiscal Month 13 for Year-End Adjustments*.

EXHIBIT III-5
RECLASSIFICATION WORKSHEET TO RECORD YEAR-END PFA

From the DB1 Report Ending Balance Column:

<u>GENERAL FUND</u>	<u>GENERAL LEDGER 6297 PFA AMOUNT OUTSTANDING</u>	<u>TC</u>	<u>GL IMPACT</u>		<u>SUBSIDIARY</u>
			<u>DR</u>	<u>CR</u>	
PROG 10	-\$125	541	6297	3110	00010000
PROG 20	-25	541	6297	3110	00010000
PROG 30	-50	541	6297	3110	00010000
PROG 40 Administration	-20	541	6297	3110	00010000
Distributed Admin	20	540	1400	6297	00010000
CLEARING ACCT	245 (debit \$200) ^{1/}	540	1400	6297	00010000
	(debit \$50)	540	1400	6297	08900000
	(credit \$5)	541	6297	3110	09420000
 <u>FEDERAL TRUST FUND</u>					
PROG 10	-\$20	541	6297	3110	00010000
PROG 30	-30	541	6297	3110	00010000
 <u>SPECIAL FUND</u>					
PROG 10	\$5	540 ^{2/}	1400	6297	00010000

^{1/} The Clearing Account entry for \$200 (TC 540) represents the amount due from the General Fund. The \$50 (TC 540) represents the amount due from the Federal Trust Fund and the \$5 (TC 541) is the amount "Due To" the Special fund (Refer to footnote 2/).

^{2/} The PFA amount outstanding in the Special fund represents an abatement on a return of a previously estimated charge (i.e., GL 6297 balance on the DB1 is a debit). In this case, TC 540 is recorded in the Special fund to establish a "Due From" and a TC 541 is recorded in the Clearing Account to establish a "Due To."

RECLASSIFY ENCUMBRANCES REPORTED AS ACCOUNTS PAYABLE

In CALSTARS, encumbrances outstanding at year-end are automatically carried forward to the new fiscal year as Start-of-Year Encumbrances. For year-end reporting purposes, the G02 Report, Pre-Closing Trial Balance and Post-Closing Trial Balance, automatically reflects all GL 6150, Encumbrances as GL 3010, Accounts Payable. As a result, departments do **not** record a year-end adjusting entry to reclassify encumbrances as accounts payable. However, the State Controller's Office requires that encumbrances must be reclassified to the correct general ledger liability account (GLs 3110, 3210, 3220, 3290), rather than GL 3010.

Departments must perform a detailed analysis to determine the appropriate "Due To" account, the amount to be reclassified and the ultimate Fund Source of the accounts payable to be reclassified as follows:

- ★ Request an X01 Report to determine the correct vendor type. If the vendor type is incorrect, make appropriate changes in the Vendor Edit Table.
- ★ Request the D07, Year-End Document File Report Of Encumbrances.

The D07 Report, ordered at the PCA Level (F=1), identifies each encumbrance by Vendor Type and PCA. The D07 Report is sorted by Enactment Year, Fund within Enactment Year, Vendor Type within Fund and then PCA within Vendor Type. Vendor Types **C, X, E, I, P** are displayed on the D07 Report. These Vendor Types and Vendor Type **1** are not manually reclassified because they will be properly reported as Accounts Payable by CALSTARS. The following chart shows the Vendor Types on the D07 Report that require manual reclassification:

Vendor Types Requiring Reclassification		
TYPE	DESCRIPTION	RECLASSIFICATION GL
2	Federal Agency	3210 – Due to Federal Govt.
3	State Agency/Department and CSU	3110 – Due to Other Fund/Appropriation
4	Local Government	3220 – Due to Local Govt.
5	Other Govt'l Agency	3290 – Due to Other Govt.

If using agency or laser print reports for this analysis, discard Vendor Types **C, X, E, I, P** and **1**. Separate the pages for Vendor Types **2, 3, 4** and **5**. If downloading data sets through the agency/department CTSO, the file can either be configured with MONARCH data mining software (newer versions) (model available on [http://www.dof.ca.gov/accounting/calstars/procedures/Monarch Model D07](http://www.dof.ca.gov/accounting/calstars/procedures/Monarch%20Model%20D07)) or MONARCH can export the data to a spreadsheet program. In either case the C, X, E, I, P and 1 vendors can be sorted and excluded (or deleted). Sort the remaining vendors by their vendor type and summarize the totals for each.

NOTE: If there are documents with incorrect Vendor Types, the department must determine the appropriate Vendor Type for each document. Include documents that should have been encumbered with Vendor Type **2, 3, 4** and **5** with the documents that were correctly encumbered. Departments may avoid this extra step by always assigning and keying a Vendor Number when establishing an encumbrance.

- ✪ Review the PCAs shown on the D07 Report for Vendor Types **2, 3, 4**, and **5**.
- ✪ Review a current PCA Table listing to identify Distribution-lines and the PCA Type. PCA's with a PCA Type other than 1 allocate to other fund sources as determined by the Cost Allocation (CA) Table. Review the CA Tables to determine the funding source of PCAs receiving allocated encumbrances.

After identifying the encumbrances by Vendor Type, follow the instructions below for completing the reclassification of encumbrances.

INSTRUCTIONS FOR COMPLETING RECLASSIFICATION WORKSHEET FOR VENDOR TYPE 3:

Exhibit III-6 is an example of a completed Vendor Type **3** Accounts Payable Reclassification Worksheet. Exhibit III-7 is a blank Vendor Type **3** Accounts Payable Reclassification Worksheet that may be reproduced for departmental use.

NOTE: The following procedures manually illustrate the reclassification worksheet process. Departments can create spreadsheet programs based on Exhibit III-6. This may significantly reduce staff time and increase accuracy.

A separate Accounts Payable Reclassification Worksheet is completed for each FFY that has Vendor Type **3** encumbrances. The D07 Report is sorted by Enactment Year, not FFY. The FFY is listed in the body of the report.

1. Locate the encumbrances for Vendor Type **3** on the D07 Report.
2. Prepare a separate Accounts Payable Reclassification Worksheet for each FFY with Vendor Type **3** encumbrances. Write the FFY at the top of the worksheet.
3. For each Type 3 Vendor, list the vendor name and number across the top of the worksheet on the "Vendor Name/Number" line.
4. For each Vendor identified in Step 3, identify the fund number the encumbrance is "Due To" (the fund number in which the payment will be deposited by the receiving department). If the fund number is not known, use the fund number of the department's main support appropriation. Enter this fund number on the worksheet on the "Due from Fund" line below the "Vendor Name/Number" line.

5. In the "PCA" column of the worksheet, list the PCAs from the "PCA" column of the D07 Report. List each PCA only once.
6. Using the D07 Report, calculate the encumbrance amount for each PCA and Vendor/Fund combination. Post the calculated amounts to the appropriate "Vendor/Fund" column and "PCA" row on the worksheet.
7. For each PCA listed on the worksheet, list the PCA's ultimate Fund Source (Appropriation Symbol, Fund Source, Fund and Method) and the percentage to be charged. To identify the PCA's ultimate Fund Source view the PCA (for the FFY of the document) in the PCA Table. For PCAs with PCA Type=1, the ultimate fund source(s) are shown in the fund distribution segment of the PCA record. For PCAs with PCA Types other than 1, use the CA Table to determine the PCAs (with PCA Type=1) that will eventually be charged through the cost allocation/fund split (CA/FS) process.
8. Calculate the encumbrance amount to be charged to each ultimate funding source. Perform this calculation by multiplying the percentage for each PCA's ultimate Fund Source(s) by the lump sum encumbrance amounts identified in Step 6. Post these calculations into the appropriate column and row on the worksheet.
9. Calculate the "Total Worksheet" amount by summing the column totals. The "Total Worksheet" amount should agree with the total of the documents for the FFY for Vendor Type 3. Be careful to calculate only the distribution amounts. Do not include the original lump sum encumbrance amounts.

NOTE: In order to facilitate the "Due From Other Funds/Appropriations (GL1410/1420) and Due To Other Funds/Appropriations (GL 3114/3115) Supplementary Information" worksheet for GL3110, the **vendor number must be keyed in when posting TC 517.**

INSTRUCTIONS FOR COMPLETING RECLASSIFICATION WORKSHEET FOR VENDOR TYPE 2, 4 and 5:

Exhibit III-8 is an example of a completed Vendor Types 2, 4 and 5 Accounts Payable Reclassification Worksheet. Exhibit III-9 is a blank Vendor Types 2, 4 and 5 Accounts Payable Reclassification Worksheet that may be reproduced for department use.

A separate Accounts Payable Reclassification Worksheet is completed for each FFY that has Vendor Type 2, 4 and 5 encumbrances; however a separate worksheet is not completed for each Vendor Type. The D07 Report is sorted by Enactment Year, not FFY. The FFY is listed in the body of the report.

1. Locate the encumbrances for Vendor Types 2, 4 and 5 on the D07 Report.
2. Prepare a separate Accounts Payable Reclassification Worksheet for each FFY with Vendor Type 2, 4 and 5 encumbrances. Write the FFY at the top of each worksheet.

3. In the "PCA" column of the worksheet, list the PCAs from the "PCA" column of the D07 Report. List each PCA only once.
4. Using the D07 Report, calculate the encumbrance amount for each PCA and Vendor Type combination. Post the calculated amounts to the appropriate "Vendor Type" column and "PCA" row on the worksheet.
5. For each PCA listed on the Worksheet, list the PCA's ultimate Fund Source (Appropriation Symbol, Fund Source, Fund and Method) and the percentage to be charged. To identify the PCA's ultimate Fund Source view the PCA (for the FFY of the document) in the PCA Table. For PCAs with PCA Type=1, the ultimate Fund Source(s) are shown in the fund distribution segment of the PCA record. For PCAs with PCA Types other than 1, use the CA Table to determine the PCAs (with PCA Type=1) that will eventually be charged through the CA/FS process.
6. Calculate the encumbrance amount to be charged to each ultimate Fund Source. Perform this calculation by multiplying the percentage for each PCA's ultimate Fund Source(s) by the lump sum encumbrance amounts identified in Step 4. Post these calculations into the appropriate column and row on the worksheet.
7. Calculate the "Total Worksheet" amount by summing the column totals. The "Total Worksheet" amount should agree with the total of the documents for the FFY for Vendor Types 2, 4 and 5. Be careful to calculate only the distribution amounts and do not include the original lump sum encumbrance amounts.

INSTRUCTIONS FOR CODING RECLASSIFICATION ENTRIES

Record a separate transaction for each ultimate fund distribution calculated on the worksheets. Use TC 517 for Vendor Type 3 entries and TC 519 for Vendor Types 2, 4 and 5 entries:

*TC 517-YE Reclassify Encumbrances (A/P) as Due to Other Funds or Appropriations

Dr. 3010 Accounts Payable

Cr. 3110 Due to Other Funds or Appropriations

TC 519-YE Reclassify Encumbrances (A/P) as Due to Other Governments

Dr. 3010 Accounts Payable

Cr. (Input 3210, 3220 or 3290)

NOTE: Use a Current Document Number RECL3010 *nn* (where *nn* is a suffix) and assign an incremental Document Number Suffix to each entry, beginning with Suffix 01. If the same Suffix is used on all entries (i.e. 00), only the last entry used for reclassification will show on the Document File and the previous entries will have no match requirements. This will result in errors during the YEC/YEO process causing further delays.

NOTE: In order to facilitate the “Due From Other Funds/Appropriations (GL1410/1420 and Due to Other Funds /Appropriations (GL3114/3115) Supplementary Information” worksheet for GL3110, the **Vendor Number must be keyed when posting TC517.**

Use Document Date of **06-30-yy** (where **yy** is the current year.)

Do not use the PCA. Instead, use the ultimate funding information: (Appropriation Symbol, Fund Source, Fund and Method) identified on the worksheets.

TC 517 entries for Vendor Type **3** require an 8-digit Subsidiary. The Subsidiary is **nnnn0000** where **nnnn** represents the fund number the encumbrance amount is Due To (identified on the worksheet at the top of the "Fund Due To" column). These Subsidiaries must be established in the D32 Subsidiary Descriptor Table.

TC 519 entries for Vendor Types **2, 4** and **5** require a General Ledger number. Use the GL numbers contained in the column heading for the Vendor Type.

NOTE 1: After the reclassification entries have been posted, the FM13 DB1/DB2 Reports will include the GL 3110 and GL 32nn from the TC 517 and TC 519 entries as well as an offsetting line titled "Reclass Accts Payable/Enc". These lines should be included in all FM 13 reconciliations.

NOTE 2: Because both TC 517 and TC 519 create an abnormal balance in GL 3010, all transactions post to the Error File. Departments can avoid these errors by entering **W** in the ERR OVRD Field on the financial transaction input screen. If errors do occur, correct these errors by using the Fund Control Override (**44, W**) error correction coding.

Departments may also correct these errors by setting position **3** of the OC Table Fund-related Error Severity Segment to **W**. Make sure to change position **3** in the OC table for each Funding Fiscal Year posted in the reclassification transactions. This allows these transactions and all other FM 13 abnormal balance transactions to post with a warning message. Once the YEC/YEO process has been completed, the OC Table should be changed back to “F” or blank.

All entries recorded with TC 517 and TC 519 are reversed in the new year.

NOTE: To have these entries automatically reversed during the Year-end Open process, they must be coded according to the Automated Accrual Reversal Process (batch type “00”) requirements discussed in Chapter II, section *Use of Fiscal Month 13 for Year-end Adjustments*.

EXHIBIT III-6
VENDOR TYPE 3 ACCOUNTS PAYABLE
RECLASSIFICATION WORKSHEET

FUNDING FISCAL YEAR _____
(TC517)

VENDOR NAME/VENDOR #	PIA 111111111-00	STATE PUBLISH 222222222-00	DEPT OF TECH 333333333-00	DGS 444444444-00	DEPT OF JUSTICE 555555555-00
DUE TO FUND:	0001	0044	0666	0678	0001
PCA:					
10000	436,956.00	32,511.00	40,000.00	640.00	27,000.00
36% 100-G-0001-1	157,304.16	11,703.96	14,400.00	230.40	9,720.00
64% 101-F-0890-1	279,651.84	20,807.04	25,600.00	409.60	17,280.00
20000					
100% 201-F-0890-1	200,000.00	16,300.00			20,000.00

TOTAL WORKSHEET: \$773,407.00

Transaction Total: 13

SOURCE: D07 Year-End Document File Report of Encumbrances

Prepared by: U.R. Dunne

Date: 7/11/2012

EXHIBIT III-7
VENDOR TYPE 3 ACCOUNTS PAYABLE
RECLASSIFICATION WORKSHEET

FUNDING FISCAL YEAR _____
(TC517)

VENDOR NAME/VENDOR #					
DUE TO FUND:					
PCA:					

TOTAL WORKSHEET: _____ **Transaction Total:** _____

SOURCE: D07 Year-End Document File Report of Encumbrances

Prepared by: _____ Date: _____

EXHIBIT III-8
VENDOR TYPES 2, 4, & 5 ACCOUNTS PAYABLE
RECLASSIFICATION WORKSHEET

FUNDING FISCAL YEAR 2011
(TC 519)

PCA	VENDOR TYPE 2 3210-DUE TO FEDERAL GOV'T	VENDOR TYPE 4 3220-DUE TO LOCAL GOV'T	VENDOR TYPE 5 3290-DUE TO OTHER GOV'TS
10000		<u>675,000.00</u>	
36% 100-G-0001-1 ^{1/}		243,000.00	
64% 101-F-0890-1 ^{2/}		432,000.00	
20000			
100% 201-F-0890-1 ^{2/}		125,000.00	

TOTAL WORKSHEET: \$ 800,000.00 **Transaction Total:** 3

SOURCE: D07-Year-end Document File Report of Encumbrances

Prepared by: U. R. Dunne Date: 7-11-12

EXHIBIT III-9
VENDOR TYPES 2, 4, & 5 ACCOUNTS PAYABLE
RECLASSIFICATION WORKSHEET

FUNDING FISCAL YEAR _____
(TC 519)

PCA	VENDOR TYPE 2 3210-DUE TO FEDERAL GOV'T	VENDOR TYPE 4 3220-DUE TO LOCAL GOV'T	VENDOR TYPE 5 3290-DUE TO OTHER GOV'TS

TOTAL WORKSHEET: _____ **Transaction Total:** _____

SOURCE: D07-Year-end Document File Report of Encumbrances

Prepared by: _____ Date: _____

RECLASSIFY ALLOCATED ENCUMBRANCE CREDIT IN ADMINISTRATION

In CALSTARS, the allocation of encumbrances is based on the department's Cost Allocation (CA) Tables, but the credit is always back to the same PCA where the encumbrance was established. Administration and Distributed Administration programs use different PCAs. To properly reflect the encumbrance balance, an entry is required to shift the credit balance in Object Detail 912 from the Administration PCA(s) to the Distributed Administration PCA(s). (This adjustment applies only to program appropriations.) To determine the amount of Allocated Encumbrances that must be shifted, request a "Q" (Q16 or Q14, as appropriate) Report at the detail level after all encumbrance adjustments are completed and after the final encumbrance allocation process is completed. Make the following entries:

To the Administration PCA(s):

TC 312-Encumbrance Fund Distribution-Charge-Annual
Dr. 6151 Allocated Encumbrances-Annual
Cr. 6156 Allocated Encumbrances-Offset-Annual

Use Index, PCA and Object Detail 912; override Fund, FS, AS and Method.

To the Distributed Administration PCA(s):

TC 316-Encumbrance Fund Distribution-Recovery-Annual
Dr. 6156 Allocated Encumbrances-Offset-Annual
Cr. 6151 Allocated Encumbrances-Annual

Use Index, PCA and Object Detail 912; override Fund, FS, AS and Method.

After these entries have processed, request another B06 Report. This should be the final year-end B06 Report. Adjustment entries for Administration and Distributed Administration are displayed in Exhibit III-10.

NOTE: Once this entry is made, encumbrances cannot be allocated again using the CALSTARS automated process unless the entries above are reversed.

These entries **NOT** reversed in the new year.

EXHIBIT III-10
ADJUSTMENT ENTRIES FOR ADMINISTRATION AND DISTRIBUTED ADMINISTRATION

ENCUMBRANCE ALLOCATION IN ADMINISTRATION			
ADMINISTRATION Program 40.01 PCA 40001		DISTRIBUTED ADMINISTRATION Program 40.02 PCA 40002	
Q REPORT (Before encumbrance allocation): <u>Object</u> 226 243 464 TOTAL	<u>Encumbrance</u> \$10 12 13 \$35		
Q REPORT (After encumbrance allocation): <u>Object</u> 226 243 464 912 TOTAL	<u>Encumbrance</u> \$10 12 13 (35) \$ 0		
ENTER TC 312: Index, PCA, Object 912 Override: Fund, FS, AS, Method		ENTER TC 316: Index, PCA, Object 912 Override: Fund, FS, AS, Method	
AFTER TC 312: Q REPORT: <u>Object</u> 226 243 464 912 TOTAL	<u>Encumbrance</u> \$10 12 13 0 \$35	AFTER TC 316: Q REPORT: <u>Object</u> 912 TOTAL	<u>Encumbrance</u> \$(35) \$(35)

ENTER SUBSIDIARIES FOR GL 1390 AND GL 1600

GL 1600-Provision for Deferred Receivables is an offset account to:

- GL 1315-Accounts Receivable Dishonored Checks
- GL 1316-Accounts Receivable Cash Shortages
- GL 1319-Accounts Receivable Other
- GL 1340-Accounts Receivable Audit Exceptions
- GL 1380-Contingent Receivables

At year-end, departments must report the amount of each GL that is offset by GL 1600. This is done by adding Subsidiaries to GL 1600 to identify the amount of each offsetting account. During the year, GL 1600 is not recorded with Subsidiary information. TC 593 allows departments to add a Subsidiary to GL 1600. The numbering convention for the Subsidiary is **nnnn0000**, where **nnnn** is the GL being offset. All Subsidiaries must first be established in the D32 Subsidiary Descriptor Table.

To identify the amount of each account offset by GL 1600, sum the G02 Report, Pre-Closing Trial Balance, amounts for the GLs shown above. If the total equals the amount of GL 1600 on the G02 Report, Pre-Closing Trial Balance, these balances are used to post to the Subsidiaries. If the total of the balances do not equal the GL 1600 amount, further analysis is required to determine the offset amount. Verify the impact of the A-9, A-10 and A-12 adjusting entries. For further analysis, use the G03 Report, Trial Balance by Transaction Code. Post one summary entry for each offsetting general ledger account.

If GL 1390-Allowance for Uncollectible Amounts is used, Subsidiary numbers must be added as described above, using TC 592.

TC 592 and TC 593 are reversed in the new year. Auto-reverse batches are recommended.

NOTE: After the TC 592 and TC 593 are posted, review the G02 Report, Post-Closing Trial Balance to ensure that the total of the debit columns equals the total of the credit columns. If these entries are not made, the G02 Report, Post-Closing Trial Balance, will display an out of balance message at the bottom of the report.

RECORD YEAR-END GL 3130 ADJUSTMENT

Franchise Tax Board (FTB) regulations require agencies to initiate backup withholding of State Income Taxes for payments made to out-of-state vendors. The Uniform Codes Manual assigns General Ledger 3130—State Income Taxes Withheld for Collection of Backup Withholding. Agencies should remit the withheld taxes using the claim schedule process. Quarterly, agencies should review the Document Report by Appropriation, D06 Report for General Ledger 3130 to obtain a listing of all documents with balances. This is the total amount that should be remitted to FTB.

At year-end, remaining balances in GL 3130 need to be reclassified. These balances are considered an accrual between the department and FTB. All amounts in GL 3130 must be reported as a "Due To" or "Due From" accrual in the year-end financial statements. Reclassification entries must be posted to move the GL 3130 account balances to GL 3110-Due to Other Funds or Appropriations to properly report the accrual. A subsidiary number is required for these transactions.

Using a FM-PY D06 Report, develop a reclassification worksheet. Make a list of each appropriation and its corresponding GL 3130 balance from the D06 Report. Determine the adjusting entries that correspond, as follows:

TC 523-Reclass 3130-Establish Due To Other Funds
Dr. 3130 State Income Taxes Withheld
Cr. 3110 Due to Other Funds or Appropriations

Use a Current Document Number **RECL3130 nn** and assign an incremental Document Number Suffix to each entry, beginning with Suffix 01.

WARNING: If the same suffix is used on all entries, the entries overlay each other causing general ledger subsidiaries to be out of balance with document file subsidiaries. Only the classification data from the last entry will show on the Document File, making it very difficult to trace and audit.

The FTB vendor number must be keyed into the transaction in order to facilitate the "Due To Other Funds/Appropriations (GL 3114/3115) Supplementary Information" worksheet for GL3110.

Once the GL 3130 reclassification entries are made, the balance for GL 3130 on the D06 Report should be zero. If the amount is not zero, adjusting entries for GL 3130 are not complete.

These entries are reversed in the new year.

NOTE: To have these entries automatically reversed during the Year-End Open (YEO) process, they must be coded according to the Automated Accrual Reversal Process requirements discussed in Chapter II, section *Use of Fiscal Month 13 for Year-End Adjustments*

RECLASSIFY FUND BALANCE CLEARING

During the YEC process, CALSTARS generates entries to close the nominal accounts to a Fund Balance account. The system closes nominal accounts for General Fund and other shared funds (identified in the D22 – Statewide Fund Descriptor Table as a shared fund) into GL 5570-Fund Balance-Clearing. The nominal accounts for non-shared funds (identified in the D22 Table) close into GL 5530-Fund Balance-Unappropriated. The nominal accounts for proprietary non-shared funds close into GL 5540-Retained Earnings.

The impact of these entries is reflected in the G02 Report, Post-Closing Trial Balance. If amounts appear in more than one fund balance GL or in the wrong fund balance GL, an additional manual entry is needed to correctly reclassify the fund balance to the proper account (e.g., Fund Balance-Clearing Account, Fund Balance-Unappropriated, or the Retained Earnings account).

If Fund Balance-Unappropriated has a credit balance:

TC 595-YEC Close Debit Balance Account GL-Non-Shared Fund
Dr. 5530 Fund Balance-Unappropriated
Cr. (Input the correct Fund Balance account)

If Fund Balance-Unappropriated has a debit balance:

TC 596-YEC Close Credit Balance Account GL-Non-Shared Fund
Dr. (Input the correct Fund Balance account)
Cr. 5530 Fund Balance-Unappropriated

If Retained Earnings has a credit balance:

TC 583-Close Debit Bal Acct GL -Retained Earnings
Dr. 5540 Retained Earnings
Cr. (Input the correct Fund Balance account)

If Retained Earnings has a debit balance:

TC 584-Close Credit Bal Acct GL -Retained Earnings
Dr. (Input the correct Fund Balance account)
Cr. 5540 Retained Earnings

These entries are **NOT** reversed in the new year.

REVIEW SUBSIDIARY

General ledger subsidiary balances must reconcile to document file subsidiaries. The subsidiary balances on the G02-Subsidiaries on File and the S01 Reports must agree. Compare the G02 or the S01 Reports to the document file subsidiary totals on the D09 or D10 Reports. All subsidiary differences between the reports must be corrected. Any differences between the subsidiary balances will appear on the Fund Level Accruals page of the DB3 Report, SCO/CALSTARS Automated Year-End. Although no error messages are associated with this out-of-balance condition, these subsidiaries should not appear on the Fund Level Accruals page. Refer to Chapter IV-B, Exhibit IV-B-9, for an example of the Fund Level Accruals page displaying out-of-balance subsidiaries.

PREPARE FINAL FM 13 SCO-CALSTARS RECONCILIATION

To avoid any inadvertent postings while preparing the final FM 13 reconciliation, FM 13 should be closed by setting the OC Table PY Open Indicator to **T** or **N**. The additional FM 13 SCO reconciliation checks any reclassification entries entered during FM 13. Reconciling items found during this process that are not SCO reconciling items must be corrected with additional CALSTARS entries. Any entries affecting GL 9000-Expenditures must be manually cost allocated and fund split. The Report No. 2, Accrual Worksheet is prepared from these final FM 13 reconciliations.